recommended Grants-in-aid Orissa to compensate the State against royalty;

(b) if so, whether some *ad-hoc* Grant-in-aid has been sanctioned to the State as a result thereof;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V. RAJASEKHARAN): (a) Yes, Madam. The Eleventh Finance Commission had recommended that royalty rates on minerals be revised regularly and decision about revision of rates of royalty be taken well before the date on which revision falls due so that it can be notified immediately after the completion of every three-year period as provided under the law. In case the process of revision is not completed by the date the new revision is due, the States should be entitled to compensation.

(b) No, Madam.

(c) Does not arise.

(d) Government of India have not accepted the recommendation of the Eleventh Finance Commission relating to the entitlement of States for payment of compensation on revising royalty rates after expiry of every 3 years as it is not mandated by the law as it exists today.

Pace of development in country

†2494. SHRI RAVI SHANKAR PRASAD: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that in order to speed up the pace of development in the country there is a need to increase the development expenditure;

(b) if so, Government's reaction thereto;

(c) whether Government have identified the areas where curtailment of expenditure is possible in order to curtail non-plan expenditure; and

(d) the details of such areas and expenditures?

---

†Original notice of the question was received in Hindi.

THE MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V. RAJASEKHARAN): (a) and (b) Yes. Sir. The Tenth Five Year Plan, as approved by the National Development Council, recognises that in order to increase the rate of growth of GDP to 8 per cent over the Tenth Five Year Plan period and to attain specified monitorable targets, the overall investment rate of the economy will have to increase to 28.4 per cent of GDP for the Tenth Plan from 24.2 per cent in the Ninth Plan. The public investment rate will also have to increase to 8.4 percent of GDP in the Tenth Plan from 7.2 percent in the Ninth Plan.

(c) and (d) The Fiscal Responsibility and Budget Management Act, 2003 mandates the Central Government to eliminate the revenue deficit by end of March, 2008. The Government has taken a series of initiatives aimed at reducing non-plan expenditure. The Government prepaid high cost external debt amounting to US $3753.56 million in 2003-04. With a view to reducing the interest burden on debt, the Central Government bought back 19 high coupon securities amounting to Rs. 14,434 crore in 2003-04. Interest saving on bought back securities amounted to Rs. 1,307 crore. With interest outgo on reissued securities amounting to Rs. 790 crore, there was a net saving of Rs. 517 crore in 2003-04. The saving in interest payments in 2004-05 is estimated at Rs. 751 crore. Some of the major initiatives taken so far to rationalise the budgetary subsidies include targeted approach to food subsidy (BPL families) under Public Distribution System, allowing Food Corporation of India (FCI) to access market loans carrying lower interest rates, encouraging private trade in food grains, liquidating excess food grains stocks, and reforming the Retention Price Scheme based subsidy on fertilizers. The Budget for 2004-05 proposed sharply focusing subsidies at the poor and the truly needy. Expenditure on pensions is now almost 50 per cent of the expenditure on salaries. With increasing longevity, the situation is bound to worsen. Concerned over the rising and unsustainable expenditure on pensions, on August 23, 2003, Government approved a new defined contribution pension system for new entrants to Central Government service (Defence personnel excluded).